

**REPORT OF THE AUDIT OF THE
PIKE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2009**



**CRIT LUALLEN
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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administrative Cabinet
Honorable Wayne T. Rutherford, Pike County Judge/Executive
Members of the Pike County Fiscal Court

The enclosed report prepared by Tichenor & Associates, LLP, Certified Public Accountants, presents the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pike County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements.

We engaged Tichenor & Associates, LLP to perform the audit of these financial statements. We worked closely with the firm during our report review process; Tichenor & Associates, LLP evaluated Pike County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE PIKE COUNTY FISCAL COURT

June 30, 2009

Tichenor & Associates, LLP has completed the audit of the Pike County Fiscal Court for fiscal year ended June 30, 2009. We have issued unqualified opinions on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. We have issued a qualified opinion on the aggregate discretely presented component units. We qualified our opinion on the aggregate discretely presented component units because the Pike County Golf Management Corporation, a legally separated component unit, used an accrual basis of accounting for presentation of their financial statements while the Pike County Fiscal Court used a modified cash basis of accounting for presentation of their financial statements. In accordance with OMB Circular A-133, we have issued an unqualified opinion on the compliance requirements that are applicable to Pike County's major federal program for the year ended June 30, 2009.

Financial Condition:

The county had total net assets of \$52,474,376 as of June 30, 2009. The county had unrestricted net assets of \$6,961,658 in its governmental activities as of June 30, 2009, with total net assets of \$45,700,209. In its business-type activities, the county had unrestricted net assets of \$2,834,391 with total net assets of \$6,774,167. Total debt principal as of June 30, 2009, was \$17,233,705 with \$6,081,275 due within the next year.

Deposits:

The fiscal court and component units' deposits were insured and collateralized by bank securities.

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To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Wayne T. Rutherford, Pike County Judge/Executive

Members of the Pike County Fiscal Court

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pike County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Pike County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Pike County Golf Management Corporation, which represent 28% and 47%, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Pike County Golf Management Corporation, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

As described in Note 1, Pike County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements of Pike County Golf Management Corporation, a discretely presented component unit of Pike County Fiscal Court are presented in accordance with the accrual basis of accounting and therefore include certain accruals required by accounting principles generally accepted in the United States of America that are not presented in accordance with the modified cash basis of accounting. The amounts by which these accruals affect the financial statement are not reasonably determinable.

To the People of Kentucky
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Members of the Pike County Fiscal Court

In our opinion, based on our audit and the report of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Pike County Golf Management Corporation's financial statements been presented on a modified cash basis of accounting, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Pike County, Kentucky, as of June 30, 2009 and the changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pike County, Kentucky, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Management has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pike County, Kentucky's basic financial statements. The accompanying supplemental information, combining fund financial statements and component unit fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining fund financial statements, component unit fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have issued our report dated April 8, 2010, on our consideration of Pike County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Wayne T. Rutherford, Pike County Judge/Executive
Members of the Pike County Fiscal Court

Respectfully submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Certified Public Accountants

April 8, 2010

PIKE COUNTY OFFICIALS**For The Fiscal Year Ended June 30, 2009****Fiscal Court Members:**

Wayne T. Rutherford	County Judge/Executive
Jeff Anderson	Magistrate
Vernon Johnson	Magistrate
Leo Murphy	Magistrate
Kenneth Robinson	Magistrate
Lloyd Hillman Dotson	Magistrate
Christian Harris	Magistrate

Other Elected Officials:

Howard Keith Hall	County Attorney
Rodney Scott	Jailer
Lillian P. Elliott	County Clerk
David Deskins	Circuit Court Clerk
Charles "Fuzzy" Keese	Sheriff
Lonnie Osborne	Property Valuation Administrator
Russell Roberts	Coroner

Appointed Personnel:

Johnda B. Billiter	County Treasurer
Rhonda James	Finance Officer

PIKE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

PIKE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Totals	Pike County Interlocal 911 Board	Pike County Golf Mngt. Corp. 12/31/08
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 8,195,277	\$ 4,426,068	\$ 12,621,345	\$ 47,145	\$ 68,125
Receivable Due From Airport Board	53,259		53,259		
Receivable Due From Golf Management	439,449		439,449		
Receivable Due From 911 Board	10,005		10,005		
Assets Held for Resale	613,498	250,584	864,082		
Inventory					1,803
Prepaid Expenses					3,933
Total Current Assets	9,311,488	4,676,652	13,988,140	47,145	73,861
Noncurrent Assets:					
Capital Assets - Net of Depr.					
Land and Land Improvements	1,191,533		1,191,533		
Buildings	12,732,365	66,564	12,798,929		
Vehicles and Equipment	3,328,841	2,281,535	5,610,376	566,518	171,999
Infrastructure	36,119,103		36,119,103		
Total Noncurrent Assets	53,371,842	2,348,099	55,719,941	566,518	171,999
Total Assets	62,683,330	7,024,751	69,708,081	613,663	245,860
LIABILITIES					
Current Liabilities:					
Accounts Payable					46,397
Equipment Lease					3,501
Bonds Payable	4,915,000		4,915,000		
Financing Obligations Payable	915,691	250,584	1,166,275		
Total Current Liabilities	5,830,691	250,584	6,081,275		49,898
Noncurrent Liabilities:					
Bonds Payable	8,945,000		8,945,000		
Financing Obligations Payable	2,207,430		2,207,430		
Total Noncurrent Liabilities	11,152,430		11,152,430		
Total Liabilities	16,983,121	250,584	17,233,705		49,898
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	37,002,219	2,348,099	39,350,318	566,518	171,999
Restricted For:					
Capital Projects	1,736,209		1,736,209		
Debt Service	123	1,591,677	1,591,800		
Unrestricted	6,961,658	2,834,391	9,796,049	47,145	23,963
Total Net Assets	\$ 45,700,209	\$ 6,774,167	\$ 52,474,376	\$ 613,663	\$ 195,962

The accompanying notes are an integral part of the financial statements.

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PIKE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009

PIKE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 9,478,458	\$ 328,962	\$ 1,756,959	\$ 278,756
Protection to Persons and Property	4,849,752	437,617	1,869,669	
General Health and Sanitation	460,614			
Social Services	1,273,514			
Recreation and Culture	1,171,005	1,551	1,841,949	
Roads	5,297,448		15,268,701	
Airports	119,306			
Other Transportation Facilities and Services	1,099,435			
Interest on Long Term and Short Term Debt	617,180			
Capital Projects	2,828,027			
Total Governmental Activities	27,194,739	768,130	20,737,278	278,756
Business-type Activities:				
Solid Waste Operations	5,193,013	5,630,064	129,285	
Jain Canteen	84,970	92,973		
Total Business-type Activities	5,277,983	5,723,037	129,285	
Total Primary Government	\$ 32,472,722	\$ 6,491,167	\$ 20,866,563	\$ 278,756
Component Units:				
Pike County Inter-Local 911 Board	\$ 436,518	\$	\$ 491,171	\$
Pike County Golf Management Board	424,967	262,200	181,061	
Total Component Units	\$ 861,485	\$ 262,200	\$ 672,232	\$ 0

General Revenues:

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Other Taxes

Excess Fees

Interest Received

Transfers

Transfer of Capital Asset from
Governmental Activities

Miscellaneous Revenues

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

PIKE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

Net (Expenses) Revenues and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Totals	Pike County Interlocal 911 Board	Pike County Golf Mngt. Corp. 12/31/08
\$ (7,113,781)	\$	\$ (7,113,781)	\$	\$
(2,542,466)		(2,542,466)		
(460,614)		(460,614)		
(1,273,514)		(1,273,514)		
672,495		672,495		
9,971,253		9,971,253		
(119,306)		(119,306)		
(1,099,435)		(1,099,435)		
(617,180)		(617,180)		
(2,828,027)		(2,828,027)		
(5,410,575)		(5,410,575)		
	566,336	566,336		
	8,003	8,003		
	574,339	574,339		
(5,410,575)	574,339	(4,836,236)		
			54,653	
				18,294
			54,653	18,294
2,133,558		2,133,558		
825,561		825,561		
586,890		586,890		
945,976		945,976		
730,675		730,675		
65,923	50,843	116,766	392	178
(466,790)	466,790			
	9,060	9,060		
635,917		635,917		
5,457,710	526,693	5,984,403	392	178
47,135	1,101,032	1,148,167	55,045	18,472
45,653,074	5,673,135	51,326,209	558,618	177,490
\$ 45,700,209	\$ 6,774,167	\$ 52,474,376	\$ 613,663	\$ 195,962

The accompanying notes are an integral part of the financial statements.

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PIKE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2009

PIKE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>LGEA Fund</u>	<u>LGED Fund</u>
ASSETS					
Cash and Cash Equivalents	\$ 585,874	\$ 739,466	\$ 271,685	\$ 4,312,493	\$ 457,894
Receivable Due From Airport Bd.				53,259	
Receivable Due From Golf Management				439,449	
Receivable Due From 911 Board	10,005				
Total Assets	<u>\$ 595,879</u>	<u>\$ 739,466</u>	<u>\$ 271,685</u>	<u>\$ 4,805,201</u>	<u>\$ 457,894</u>
FUND BALANCES					
Reserved for:					
Encumbrances	\$ 58,526	\$ 69,326	\$ 19,805	\$ 133,099	\$
Capital Projects					
Debt Service Fund					
Unreserved					
General Fund	537,353				
Special Revenue Funds		670,140	251,880	4,672,102	457,894
Total Fund Balances	<u>\$ 595,879</u>	<u>\$ 739,466</u>	<u>\$ 271,685</u>	<u>\$ 4,805,201</u>	<u>\$ 457,894</u>

The accompanying notes are an integral part of the financial statements.

PIKE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2009

General Obligation Bond Fund	Judicial Center Bond Fund	Non- Major Funds	Total Governmental Funds
\$ 123	\$ 1,736,209	\$ 91,533	\$ 8,195,277
			53,259
			439,449
			10,005
<u>\$ 123</u>	<u>\$ 1,736,209</u>	<u>\$ 91,533</u>	<u>\$ 8,697,990</u>
\$	\$	\$ 25,688	\$ 306,444
	1,642,938		1,642,938
123	93,271		93,394
			537,353
		65,845	6,117,861
<u>\$ 123</u>	<u>\$ 1,736,209</u>	<u>\$ 91,533</u>	<u>\$ 8,697,990</u>

Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Assets:

Total Fund Balances	\$ 8,697,990
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds.	148,127,551
Accumulated Depreciation	(94,755,709)
Assets Held For Resale	613,498
Long-term and short-term debt is not due and payable	
in the current period and, therefore, is not reported in the funds.	
Financing Obligations	(3,123,121)
Bonds	<u>(13,860,000)</u>
Net Assets Of Governmental Activities	<u>\$45,700,209</u>

The accompanying notes are an integral part of the financial statements.

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PIKE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

PIKE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>LGEA Fund</u>
REVENUES				
Taxes	\$ 4,491,611	\$	\$	\$
In Lieu Tax Payments	76,613	225		
Excess Fees	730,675			
Licenses and Permits	242,025			
Intergovernmental	1,380,239	2,906,073	2,296,396	14,378,391
Charges for Services	29,052		253,609	1,551
Miscellaneous	208,141	87,271	19,141	52,448
Interest	19,976			
Total Revenues	<u>7,178,332</u>	<u>2,993,569</u>	<u>2,569,146</u>	<u>14,432,390</u>
EXPENDITURES				
General Government	4,076,110			704,243
Protection to Persons and Property	756,048		3,041,738	993,758
General Health and Sanitation	4,000			456,058
Social Services	135,386			1,136,845
Recreation and Culture				1,349,069
Roads	114,662	5,625,717		
Airports				119,306
Other Transportation Facilities				14,034
Debt Service		617,812		616,571
Capital Projects				154,584
Administration	<u>1,653,673</u>	<u>1,456,504</u>	<u>897,157</u>	<u>352,017</u>
Total Expenditures	<u>6,739,879</u>	<u>7,700,033</u>	<u>3,938,895</u>	<u>5,896,485</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>438,453</u>	<u>(4,706,464)</u>	<u>(1,369,749)</u>	<u>8,535,905</u>
Other Financing Sources (Uses)				
Financing Obligation Proceeds		613,498		
Transfers From Other Funds		3,924,084	1,430,000	
Transfers To Other Funds	<u>(420,742)</u>	<u>(702,620)</u>		<u>(6,306,376)</u>
Total Other Financing Sources (Uses)	<u>(420,742)</u>	<u>3,834,962</u>	<u>1,430,000</u>	<u>(6,306,376)</u>
Net Change in Fund Balances	17,711	(871,502)	60,251	2,229,529
Fund Balances - Beginning	578,168	1,610,968	211,434	2,575,672
Fund Balances - Ending	<u>\$ 595,879</u>	<u>\$ 739,466</u>	<u>\$ 271,685</u>	<u>\$ 4,805,201</u>

The accompanying notes are an integral part of the financial statements.

PIKE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

LGED Fund	General Obligation Bond Fund	Judicial Center Bond Fund	Non- Major Funds	Total Governmental Funds
\$	\$	\$	\$ 9,179	4,500,790
				76,838
				730,675
				242,025
	239,490			21,200,589
				284,212
193,375			47,236	607,612
1,187	917	43,825	18	65,923
194,562	240,407	43,825	56,433	27,708,664
				4,780,353
			9,751	4,801,295
				460,058
				1,272,231
				1,349,069
				5,740,379
				119,306
			1,085,401	1,099,435
	579,161	91,266		1,904,810
		2,673,443		2,828,027
			338,036	4,697,387
	579,161	2,764,709	1,433,188	29,052,350
194,562	(338,754)	(2,720,884)	(1,376,755)	(1,343,686)
				613,498
	156,244		1,452,620	6,962,948
				(7,429,738)
	156,244		1,452,620	146,708
194,562	(182,510)	(2,720,884)	75,865	(1,196,978)
263,332	182,633	4,457,093	15,668	9,894,968
\$ 457,894	\$ 123	\$ 1,736,209	\$ 91,533	\$ 8,697,990

The accompanying notes are an integral part of the financial statements.

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**PIKE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2009

PIKE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$ (1,196,978)
Governmental Funds Report Assets Held for Resale as Expenditures. However, These Expenditures Are Not Reported in the Statement of Activities	
Purchase Of Assets Held For Resale	613,498
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Capital Outlay	2,564,172
Depreciation Expense	(2,607,689)
The issuance of debt (e.g. bonds, leases) provides current financial resources to governmental funds, while debt principal payments are expensed in the Governmental Funds as a use of current financial resources. These transactions, however, have no affect on net assets.	
Financing Obligation Proceeds	(613,498)
Financing Obligations Principal Payments	897,630
Bond Principal Payments	390,000
Change in Net Assets of Governmental Activities	<u>\$ 47,135</u>

The accompanying notes are an integral part of the financial statements.

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PIKE COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS
June 30, 2009

PIKE COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

June 30, 2009

	Business-Type Activities Enterprise Fund		
	Solid Waste Fund	Jail Canteen Fund	Totals
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 4,356,457	\$ 69,611	\$ 4,426,068
Assets Held for Resale	250,584		250,584
Total Current Assets	<u>4,607,041</u>	<u>69,611</u>	<u>4,676,652</u>
Noncurrent Assets:			
Capital Assets:			
Buildings	69,660		69,660
Vehicles and Equipment	5,772,365		5,772,365
Less Accumulated depreciation	<u>(3,493,926)</u>		<u>(3,493,926)</u>
Total Noncurrent Assets	<u>2,348,099</u>		<u>2,348,099</u>
Total Assets	<u>6,955,140</u>	<u>69,611</u>	<u>7,024,751</u>
Liabilities			
Current Liabilities			
Financing Obligations Payable	<u>250,584</u>		<u>250,584</u>
Total Current Liabilities	<u>250,584</u>		<u>250,584</u>
Noncurrent Liabilities			
Financing Obligations Payable			
Total Noncurrent Liabilities			
Total Liabilities	<u>250,584</u>		<u>250,584</u>
Net Assets			
Invested in Capital Assets,			
Net of Related Debt	2,348,099		2,348,099
Restricted for Debt Service	1,591,677		1,591,677
Unrestricted	<u>2,764,780</u>	<u>69,611</u>	<u>2,834,391</u>
Total Net Assets	<u>\$ 6,704,556</u>	<u>\$ 69,611</u>	<u>\$ 6,774,167</u>

The accompanying notes are an integral part of the financial statements.

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PIKE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

PIKE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	Business-Type Activities		
	Enterprise Funds		
	Solid Waste Fund	Jail Canteen Fund	Totals
Operating Revenues			
Operating Grants	\$ 129,285	\$	\$ 129,285
Garbage Collection	3,730,175		3,730,175
Landfill User Fees	1,837,662		1,837,662
Recycling	48,698		48,698
Miscellaneous	13,529		13,529
Canteen Receipts		92,973	92,973
Total Operating Revenues	<u>5,759,349</u>	<u>92,973</u>	<u>5,852,322</u>
Operating Expenses			
Office Materials & Supplies	82,980		82,980
Office Expense	729,922		729,922
Maintenance Expense	107,663		107,663
Insurance	115,102		115,102
Grant Expenditures	186,131		186,131
Uniforms	7,624		7,624
Payroll Expense	2,183,848		2,183,848
Fringe Benefits	1,523,852		1,523,852
Cost of Sales		5,709	5,709
Educational and Recreational		79,261	79,261
Depreciation	245,360		245,360
Miscellaneous	931		931
Total Operating Expenses	<u>5,183,413</u>	<u>84,970</u>	<u>5,268,383</u>
Operating Income (Loss)	<u>575,936</u>	<u>8,003</u>	<u>583,939</u>
Non-operating Revenues (Expenses)			
Interest Income	50,843		50,843
Transfer of Capital Assets from Governmental Activities	9,060		9,060
Lease Payments (Interest Expense)	<u>(9,600)</u>		<u>(9,600)</u>
Total Non-operating Revenues (Expenses)	<u>50,303</u>		<u>50,303</u>
Net Income (Loss) Before Transfers	626,239	8,003	634,242
Transfers In	1,216,790		1,216,790
Transfers Out	<u>(750,000)</u>		<u>(750,000)</u>
Change In Net Assets	<u>1,093,029</u>	<u>8,003</u>	<u>1,101,032</u>
Total Net Assets - Beginning (Restated)	<u>5,611,527</u>	<u>61,608</u>	<u>5,673,135</u>
Total Net Assets - Ending	<u>\$ 6,704,556</u>	<u>\$ 69,611</u>	<u>\$ 6,774,167</u>

The accompanying notes are an integral part of the financial statements.

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PIKE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2009

PIKE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	Business-Type Activities		
	Enterprise Funds		
	Solid Waste Fund	Jail Canteen Fund	Totals
Cash Flows From Operating Activities			
Cash Payments From Customers	\$ 5,344,359	\$ 92,973	\$ 5,437,332
Cash Payments From Others	414,990		414,990
Cash Payments to Vendors For Goods and Services	(1,230,353)	(84,970)	(1,315,323)
Cash Payments to Employees	(2,183,848)		(2,183,848)
Cash Payments of Benefits on Behalf of Employees	(1,523,852)		(1,523,852)
Net Cash Provided By Operating Activities	821,296	8,003	829,299
Cash Flows From Noncapital Financing Activities			
Transfers to Other Funds	(750,000)		(750,000)
Transfers from Other Funds	1,216,790		1,216,790
Net Cash Used By Noncapital Financing Activities	466,790		466,790
Cash Flows From Capital and Related Financing Activities			
Purchase of Assets	(358,264)		(358,264)
Financing Obligation Proceeds	250,584		250,584
Principal Paid on Capital Debt	(231,083)		(231,083)
Interest Paid on Capital Debt	(9,600)		(9,600)
Net Cash Used By Capital and Related Financing Activities	(348,363)		(348,363)
Cash Flows From Investing Activities			
Interest Earned	50,843		50,843
Net Increase (Decrease) in Cash and Cash Equivalents	990,566	8,003	998,569
Cash and Cash Equivalents - July 1, 2008	3,365,891	61,608	3,427,499
Cash and Cash Equivalents - June 30, 2009	<u>\$ 4,356,457</u>	<u>\$ 69,611</u>	<u>\$ 4,426,068</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ 575,936	\$ 8,003	\$ 583,939
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities			
Depreciation Expense	245,360		245,360
Total Cash Provided By Operating Activities	<u>\$ 821,296</u>	<u>\$ 8,003</u>	<u>\$ 829,299</u>

The accompanying notes are an integral part of the financial statements.

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PIKE COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

PIKE COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

	<u>Agency Fund</u>
	<u>Inmate</u>
	<u>Account</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 49,430
Total Assets	<u>49,430</u>
Liabilities	
Amounts Held In Custody For Others	<u>49,430</u>
Total Liabilities	<u>49,430</u>
Net Assets	
Total Net Assets	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets, are not reflected in the financial statements. However, financial statements of the Pike County Golf Management Corporation, a discretely presented component unit, are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets are included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Pike County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Auditing Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes an organization that is legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Blended Component Unit

The following legally separate organization provides its services exclusively to the primary government and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

Pike County Public Properties Corporation

The fiscal court appoints a voting majority of the Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Public Properties Corporation. All activities of the Public Properties Corporation are accounted for within the Judicial Center Bond Fund in the fiscal year ended June 30, 2009.

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Discretely Presented Component Units

The component units' column in the government wide financial statements includes the data of the following organizations. It is reported on the Statement of Net Assets and the Statement of Activities in separate columns that are labeled as "Component Unit" to emphasize these organizations' separateness from the fiscal court's primary government.

Pike County Interlocal 911 Board

The Pike County Interlocal 911 Board (the Board) is a legally separate entity established to provide emergency response services to Pike County. The Board's members are appointed independently of the Pike County Fiscal Court, and the Board's governing body is substantially different from that of the Fiscal Court. However, the Fiscal Court is financially accountable for the Board because the Fiscal Court must approve rate changes established by the Board and therefore does not have a separate audited financial report. This financial accountability requires management to include the Board as a component unit. The Board is not included in any other organization's reporting entity and does not provide services exclusively to the Fiscal Court; therefore, the financial activity of the Board is presented discretely.

The fiscal court appropriated \$409,254 to the Board for operating expenses in the fiscal year ending June 30, 2009. The Board reimbursed the fiscal court \$399,249. As of June 30, 2009, the balance of owed to the fiscal court was \$10,005.

Pike County Golf Management Corporation

The Pike County Golf Management Corporation (the Corporation) is a legally separate entity established to provide recreational services to Pike County. The Pike County Fiscal Court appoints the Corporation's board members, and the Corporation's governing body is substantially different from that of the Fiscal Court. The Corporation is not included in any other organization's reporting entity and does not provide services exclusively to the Fiscal Court; therefore, the financial activity of the Board is presented discretely.

The fiscal court appropriated \$233,616 to the Corporation for operating expenses in the fiscal year ending June 30, 2009. The Corporation has not reimbursed the fiscal court in the fiscal year ending June 30, 2009. As of June 30, 2009 the balance owed to the fiscal court was \$439,449.

Audited financial statements of the Pike County Golf Management Corporation can be obtained by writing the Board at 26 Hurts Branch, Pikeville, Kentucky 41501.

C. Pike County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Pike County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities; however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Pike County, Kentucky.

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Pike County Elected Officials (Continued)

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-Wide and Fund Financial Statements

The primary government reports the governmental activities, business-type activities, proprietary funds, and fiduciary funds using the economic resources measurement focus and the modified cash basis of accounting. Revenues are recognized when received and expenses are recognized when paid, except for the recognition of depreciation expense on the statement of activities and the statement of revenues, expenses and changes in fund net assets – proprietary funds.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt – consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets – resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets – those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major funds. Major funds are those funds whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary funds) and whose total assets, liabilities, revenues or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as a major fund.

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The governmental funds are accounted for on the modified cash basis and focus on the flow of current financial resources. Revenues are recognized when received and expenditures are recognized when paid.

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or when management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue are reimbursements from the state and federal government and transfers from other funds. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Local Government Economic Assistance Fund - The purpose of this fund is to account for funds earmarked for economic development. The primary sources of revenue for this fund are from the state. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Local Government Economic Development Fund - the purpose of this fund is to account for projects funded by the Local Economic Development funds. The primary sources of revenue are grants received from the Department for Local Government. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

General Obligation Bond Fund - The purpose of this fund is to account for debt service requirements of general obligation bonds of the Fiscal Court. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

Judicial Center Bond Fund - The purpose of this fund is to account for the construction and debt service requirements for the Judicial Center. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

The government also has the following non-major funds: Forestry Fund, Maintenance Garage Fund, and Capital Lease Acquisition Fund.

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-Wide and Fund Financial Statements (Continued)

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Forestry Fund, Local Government Economic Development Fund, Maintenance Garage Fund, and the Capital Lease Acquisition Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Fund

The General Obligation Bond Fund is used to account for the accumulation of resources for, and the payment of long-term debt principal and interest.

Capital Projects Fund

The Judicial Center Bond Fund is presented as a Capital Projects Fund and is used to account for construction costs of the Pike County Judicial Center.

Proprietary Funds

The proprietary funds are reported using the economic resources measurement focus and the modified cash basis of accounting. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's proprietary funds are garbage collection fees and landfill user fees in the Solid Waste Fund and charges to customers for sales in the Jail Canteen Fund. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements of Interpretations issued after November 30, 1989 unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The government reports the following major proprietary funds:

Solid Waste Fund - The solid waste fund operations are authorized by the Fiscal Court. The Solid Waste Fund allows for the collection and disposal of garbage from residents of Pike County. Also included in this fund is the operation of a county landfill. The Fords Branch Landfill Closing fund is included in the operations of the Solid Waste fund. The Fords Branch Landfill Closing fund collects funds during the active life of the landfill to cover final closure costs and post-closure maintenance and monitoring costs 30 years after final closure.

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135 (1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135 (2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-Wide and Fund Financial Statements (Continued)

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county in the Jail Inmate Fund for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Jail Inmate Account - This fund accounts for funds received from inmates after incarceration.

Presentation of Component Units

The financial statements present the following major discretely presented component units: Pike County Interlocal 911 Board and Pike County Golf Management Corporation.

These component units are presented in a separate column on the Statement of Net Assets and the Statement of Activities that is labeled as "Component Units" to emphasize these organizations' separateness from the fiscal court's primary government.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificate of deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land and land improvements, buildings and building improvements, vehicles and equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets (Continued)

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10 - 60
Buildings and Building Improvements	50,000	10 - 75
Vehicles and Equipment	5,000	3 - 25
Infrastructure	25,000	2 - 40

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance cost when received or when paid, during the current period.

The principal amount of the debt and interest is reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds received are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances, may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

J. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Pike County Fiscal Court: Mountain Water District, Pike County Housing Authority, and the Pike County Extension Board.

K. Jointly Governed Organization

Pike County Fiscal Court, in conjunction with the City of Pikeville, has created the Pikeville-Pike County Airport Board (Board). The Board is composed of six appointed members, three appointed from each of the two participating governments. The Fiscal Court appropriated \$172,565 to the Board for operating expenses. The Board reimburses the Fiscal Court for these operating expenses. As of June 30, 2009, Fiscal Court had not been reimbursed and \$121,143 is recorded as a receivable.

Note 2. Deposits

The primary government and its discretely presented component unit maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the primary government or its discretely presented component unit and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the primary government's or its discretely presented component unit's deposits may not be returned. The primary government and its discretely presented component unit do not have deposit policies for custodial credit risk, but rather follow the requirements of KRS 41.240(4). As of June 30, 2009, the primary government's deposits and discretely presented component unit's deposits were covered by FDIC insurance or a properly executed collateral security agreement.

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Reporting Entity			
	Restated Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 569,068	\$	\$	\$ 569,068
Total Capital Assets Not Being Depreciated	569,068			569,068
Capital Assets, Being Depreciated:				
Land Improvements	646,678	47,500		694,178
Buildings	21,650,583	146,316		21,796,899
Vehicles and Equipment	7,294,934	822,856		8,117,790
Infrastructure	115,402,116	1,547,500		116,949,616
Total Capital Assets Being Depreciated	144,994,311	2,564,172		147,558,483
Less Accumulated Depreciation For:				
Land Improvements	(43,946)	(27,767)		(71,713)
Buildings	(8,607,937)	(456,597)		(9,064,534)
Vehicles and Equipment	(4,321,890)	(467,059)		(4,788,949)
Infrastructure	(79,174,247)	(1,656,266)		(80,830,513)
Total Accumulated Depreciation	(92,148,020)	(2,607,689)		(94,755,709)
Total Capital Assets, Being Depreciated, Net	52,846,291	(43,517)		52,802,774
Governmental Activities Capital Assets, Net	<u>\$ 53,415,359</u>	<u>\$ (43,517)</u>	<u>\$ 0</u>	<u>\$ 53,371,842</u>
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Buildings	\$ 69,660		\$	\$ 69,660
Vehicles and Equipment	5,655,625	116,740		5,772,365
Total Capital Assets Being Depreciated	5,725,285	116,740		5,842,025
Less Accumulated Depreciation For:				
Buildings	(1,548)	(1,548)		(3,096)
Vehicles and Equipment	(3,247,018)	(243,812)		(3,490,830)
Total Accumulated Depreciation	(3,248,566)	(245,360)		(3,493,926)
Total Capital Assets, Being Depreciated, Net	2,476,719	(128,620)		2,348,099
Business-Type Activities Capital Assets, Net	<u>\$ 2,476,719</u>	<u>\$ (128,620)</u>	<u>\$ 0</u>	<u>\$ 2,348,099</u>

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 3. Capital Assets (Continued)

	Reporting Entity			
	Restated Beginning Balance	Increases	Decreases	Ending Balance
Pike County Interlocal 911 Board <u>Component Unit Activities:</u>				
Capital Assets, Being Depreciated: Vehicles and Equipment	\$ 1,005,637	\$ 90,706	\$	\$ 1,096,343
Less Accumulated Depreciation For: Vehicles and Equipment	<u>(447,108)</u>	<u>(82,717)</u>	<u></u>	<u>(529,825)</u>
Component Unit Activities Capital Assets, Net	<u>\$ 558,529</u>	<u>\$ 7,989</u>	<u>\$ 0</u>	<u>\$ 566,518</u>
Pike County Golf Management Corporation <u>Component Unit Activities:</u>				
Capital Assets, Being Depreciated: Vehicles and Equipment	\$ 517,583	\$ 23,141	\$	\$ 540,724
Less Accumulated Depreciation For: Vehicles and Equipment	<u>(335,055)</u>	<u>(33,671)</u>	<u></u>	<u>(368,726)</u>
Component Unit Activities Capital Assets, Net	<u>\$ 182,528</u>	<u>\$ (10,530)</u>	<u>\$ 0</u>	<u>\$ 171,998</u>

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 310,884
Protection to Persons and Property	338,190
General Health and Sanitation	556
Social Services	1,283
Recreation and Culture	99,514
Roads	<u>1,857,262</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,607,689</u>
<u>Business-Type Activities</u>	
General Health and Sanitation	<u>\$ 245,360</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 245,360</u>
<u>Component Unit Activities:</u>	
Pike Co. Interlocal 911 Board	\$ 82,717
Pike Co. Golf Management Board	<u>33,671</u>
Total Depreciation Expense - Component Unit Activities	<u>\$ 116,388</u>

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Financing Obligations

Governmental Activities:

A. Courthouse #4

On June 17, 1991, Pike County entered into a lease agreement with Kentucky Association of Counties Leasing Trust Program for courthouse renovations. The principal amount of the lease was \$5,000,000. The agreement requires variable monthly payments for 25 years to be paid in full July 1, 2016. The principal balance of the agreement was \$2,193,348 as of June 30, 2009. The variable interest rate results in a payment schedule that may not compare to the prior year schedule. Lease payments for the remaining years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2010	\$ 81,999	\$ 262,788
2011	74,566	276,688
2012	63,142	293,322
2013	50,919	310,956
2014	37,995	329,650
2015-2016	<u>34,050</u>	<u>719,944</u>
Totals	<u>\$ 342,671</u>	<u>\$ 2,193,348</u>

B. Courthouse Extra #5

On June 29, 1993, Pike County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program for an additional courthouse renovation and furniture. The principal amount of the lease was \$600,000. The agreement requires variable monthly payments for 25 years to be paid in full March 1, 2018, with a variable interest rate. The variable interest rate results in a payment schedule that may not to compare the prior year schedule. The principal balance of the agreement was \$294,702 as of June 30, 2009. Lease payments for the remaining years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2010	\$ 11,154	\$ 26,531
2011	10,520	28,028
2012	9,363	29,867
2013	8,114	31,826
2014	6,787	33,915
2015-2018	<u>12,073</u>	<u>144,535</u>
Totals	<u>\$ 58,011</u>	<u>\$ 294,702</u>

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Financing Obligations (Continued)

Governmental Activities (Continued)

C. Senior Citizens Vehicle #20

On January 5, 2007, Pike County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program for a Senior Citizens vehicle. The principal amount of the lease was \$20,699. The agreement requires variable monthly payments for 5 years to be paid in full January 20, 2012. The principal balance of the agreement was \$12,699 as of June 30, 2009. Lease payments for the remaining years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2010	\$ 637	\$ 4,000
2011	494	4,000
2012	233	4,699
Totals	<u>\$ 1,364</u>	<u>\$ 12,699</u>

D. Dump Trucks #21

On June 26, 2007, Pike County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program for 2 Mack trucks. The principal amount of the lease was \$297,107. The agreement requires monthly payments due on the 20th of each month with an interest rate of 3.95% to be paid in full July 20, 2008. The lease agreement was paid in full on July 20, 2008.

E. PVA Vehicles #22

On March 22, 2007, Pike County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program for a PVA vehicle. The principal amount of the lease was \$56,744. The agreement requires variable monthly payments. The Fiscal Court has paid two extra payments to change the maturity date to January 20, 2010. The principal balance of the agreement was \$8,874 as of June 30, 2009. Lease payments for the remaining years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2010	\$ 326	\$ 8,874
Totals	<u>\$ 326</u>	<u>\$ 8,874</u>

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Financing Obligations (Continued)

Governmental Activities (Continued)

F. Dump Trucks #23

On June 26, 2007, Pike County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program for 2 Mack trucks. The principal amount of the lease was \$297,107. The agreement requires monthly payments due on the 20th of each month with an interest rate of 3.95% to be paid in full July 20, 2008. The lease agreement was paid in full on July 20, 2008.

G. Dump Trucks #24

On July 31, 2008, Pike County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program for 3 Mack trucks. The principal amount of the lease was \$306,749. The agreement requires monthly payments due on the 20th of each month with an interest rate of 3.95% to be paid in full June 20, 2010. The principal balance of the agreement was \$306,749 as of June 30, 2009. Lease payments for the remaining years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2010	\$ 12,114	\$ 306,749
Totals	<u>\$ 12,114</u>	<u>\$ 306,749</u>

H. Dump Trucks #25

On August 19, 2008, Pike County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program for 3 Mack trucks. The principal amount of the lease was \$306,749. The agreement requires monthly payments due on the 20th of each month with an interest rate of 3.95% to be paid in full June 20, 2010. The principal balance of the agreement was \$306,749 as of June 30, 2009. Lease payments for the remaining years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2010	\$ 12,114	\$ 306,749
Totals	<u>\$ 12,114</u>	<u>\$ 306,749</u>

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Financing Obligations (Continued)

Business-Type Activities

I. Dump Truck #21

On June 26, 2007, Pike County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program for 2 Mack trucks. The principal amount of the lease was \$115,541. The agreement requires variable monthly payments for 13 months to be paid in full July 20, 2008. The lease agreement was paid in full on July 20, 2008.

J. Dump Truck #23

On June 26, 2007, Pike County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program for 2 Mack trucks. The principal amount of the lease was \$115,541. The agreement requires variable monthly payments for 13 months to be paid in full July 20, 2008. The lease agreement was paid in full on July 20, 2008.

K. Dump Truck #24

On July 31, 2008, Pike County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program for 1 Mack truck. The principal amount of the lease was \$125,292. The agreement requires monthly payments due on the 20th of each month with an interest rate of 3.95% to be paid in full June 20, 2010. The principal balance of the agreement was \$125,292 as of June 30, 2009. Lease payments for the remaining years are as follows:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Interest</u>	<u>Scheduled</u> <u>Principal</u>
2010	\$ 4,948	\$ 125,292
Totals	<u>\$ 4,948</u>	<u>\$ 125,292</u>

L. Dump Truck #25

On August 19, 2008, Pike County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program for 1 Mack truck. The principal amount of the lease was \$125,292. The agreement requires monthly payments due on the 20th of each month with an interest rate of 3.95% to be paid in full June 20, 2010. The principal balance of the agreement was \$125,292 as of June 30, 2009. Lease payments for the remaining years are as follows:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Interest</u>	<u>Scheduled</u> <u>Principal</u>
2010	\$ 4,948	\$ 125,292
Totals	<u>\$ 4,948</u>	<u>\$ 125,292</u>

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Financing Obligations (Continued)

Pike County Golf Course Management Corporation - Discretely Presented Component Unit

- M.** A lease purchase agreement for the acquisition of a John Deere 1420 mower was entered into in June 2006. The agreement is with John Deere Credit payable in 36 monthly payments beginning June 2006. The monthly payments are \$456. The lease is collateralized by the greens mower and is expected to mature in June 2009. The balance at December 31, 2008 was \$1,825.
- N.** A lease purchase agreement for the acquisition of a Toro Gang Reel Mower was entered into in March 2004. The agreement is with GE Capital payable in 60 monthly payments beginning April 2004. The monthly payments are \$441 inclusive of interest of 5.71%. The lease is collateralized by the mower and is expected to mature in April 2009. The balance at December 31, 2008 was \$1,676.

Note 5. General Obligation Bonds

A. Revenue Refunding, Series 2004

In September 2004, the Pike County Fiscal Court, issued \$4,320,000 in general obligation-refunding bonds to refinance the 1997 bond issue for the Hall of Justice. The bonds require semiannual interest payments due March 1 and September 1 and one principal payment each year due September 1. The bonds will mature September 1, 2018. As of June 30, 2009, the principal amount outstanding was \$3,290,000. Bond payments for the remaining years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2010	\$ 112,603	\$ 290,000
2011	103,678	305,000
2012	93,821	325,000
2013	82,503	345,000
2014	70,078	365,000
2015-2019	<u>157,345</u>	<u>1,660,000</u>
Totals	<u>\$ 620,028</u>	<u>\$ 3,290,000</u>

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. General Obligation Bonds (Continued)

B. Improvement Bonds, Series 2005

On March 24, 2006, the Pike County Fiscal Court, issued \$6,400,000 in general obligation improvement bonds for improvements to the Hall of Justice. The bonds require semiannual interest payments due March 1 and September 1 and one principal payment each year due March 1. The bonds will mature March 1, 2036. As of June 30, 2009, the principal amount outstanding was \$6,070,000. Bond payments for the remaining years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2010	\$ 274,310	\$ 125,000
2011	268,685	130,000
2012	262,835	135,000
2013	256,760	140,000
2014	250,460	145,000
2015-2019	1,148,575	820,000
2020-2024	948,775	1,000,000
2025-2029	702,625	1,255,000
2030-2034	391,300	1,575,000
2035-2036	51,188	745,000
Totals	<u>\$ 4,555,513</u>	<u>\$ 6,070,000</u>

C. Revenue Bond Anticipation Notes, Series 2008

On May 7, 2008, the Pike County Fiscal Court, issued \$4,500,000 in first mortgage revenue bond anticipation notes to construct a new judicial center. The bonds require one annual principal and interest payment due May 1 of each year. The bonds will mature May 1, 2010. As of June 30, 2009, the principal amount outstanding was \$4,500,000. Bond payments for the remaining years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2010	<u>\$ 122,850</u>	<u>\$ 4,500,000</u>
Totals	<u>\$ 122,850</u>	<u>\$ 4,500,000</u>

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. General Obligation Bonds (Continued)

D. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 9,750,000	\$	\$ 390,000	\$ 9,360,000	\$ 415,000
Bond Anticipation Note	4,500,000			4,500,000	4,500,000
Financing Obligations (Note 4)	3,407,253	613,498	897,630	3,123,121	915,691
Governmental Activities					
Long-term Liabilities	<u>\$ 17,657,253</u>	<u>\$ 613,498</u>	<u>\$ 1,287,630</u>	<u>\$ 16,983,121</u>	<u>\$ 5,830,691</u>
<u>Business-Type Activities:</u>					
Financing Obligations (Note 4)	<u>\$ 231,083</u>	<u>\$ 250,584</u>	<u>\$ 231,083</u>	<u>\$ 250,584</u>	<u>\$ 250,584</u>
Business-Type Activities					
Long-term Liabilities	<u>\$ 231,083</u>	<u>\$ 250,584</u>	<u>\$ 231,083</u>	<u>\$ 250,584</u>	<u>\$ 250,584</u>

Note 6. Employee Retirement System

The Fiscal Court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent.

The county's contribution for FY 2007 was \$1,088,120, FY 2008 was \$1,418,807, and FY 2009 was \$1,224,012.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participate on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 7. Insurance

For the fiscal year ended June 30, 2009, Pike County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 8. Estimated Infrastructure Historical Cost

Historical cost of infrastructure placed in service prior to the fiscal year ended June 30, 2003 (year of GASB 34 implementation) is an estimate. For those assets, the primary government estimated the year infrastructure was built by determining when a major reconstruction had been done on infrastructure. This estimate was used to calculate the infrastructure historical cost by determining current year construction cost and deflating it back to the estimated year of construction or reconstruction. Estimated infrastructure historical cost includes infrastructure placed in service from fiscal year 1984 through June 30, 2002. All infrastructure assets placed in service during the fiscal year ended June 30, 2003 and thereafter are recorded at actual historical cost.

Note 9. Landfill Closure and Post-Closure Costs

401 KAR 48:310 Section 2 and 3 requires the owner or operator of a landfill to have a detailed written estimate, in current dollars, the cost of hiring a third party to close the solid waste disposal site and to conduct each phase of closure care monitoring and maintenance in accordance with the closure plan. The Ford's Branch Landfill closure plan currently calls for six phases. As of June 30, 2009, 72% of phase four of the landfill capacity had been used.

Pike County must comply with established state and federal closure procedures and must perform maintenance and monitoring procedures at the site for 30 years after closure. Estimated closure costs total \$3,719,400, and estimated post closure care costs total \$13,433 per year for 30 years. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Since the financial statements are prepared on a modified cash basis of accounting, no liability has been recognized for closure or post closure costs.

The fiscal court is required by state and federal laws and regulations to make annual contributions to finance closure and post-closure care. The fiscal court annually deposits \$130,000 of solid waste receipts into an account reserved for the landfill closing. At June 30, 2009, the Ford's Branch Landfill Closing Fund had a cash balance of \$2,457,090.

The Ford's Branch Landfill Phase IV is potentially closing in the year 2010 for collection to begin with Phase V. It is anticipated that sufficient funds will be available in the Ford's Branch Landfill Closing Account to pay estimated closure and post-closure costs.

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 10. Landfill Notice of Violation

The Kentucky Department for Environmental Protection (DEP) has issued a repeat Notice of Violation for Subject Item GINS0000000003 (Contained Landfill) to the Division of Waste Management. The County has been issued Notice of Violation (NOV) on July 12, 2006 and August 12, 2008 due to inspections conducted on July 12, 2006, October 12, 2006, April 16, 2007, and August 12, 2008. After an inspection was conducted on April 9, 2009, it was determined that Leachate outbreaks were still occurring. A third NOV was issued on May 8, 2009. The NOV dated May 8, 2009, also noted that the methane detector in the shop area was not working at the time of inspection, greater than 10% of litter is protruding through the surface of the interim cover, positive drainage on the interim cover is not being maintained, erosion controls (seeding) has not been performed on the long term cover, and blowing litter was observed in two areas at the head of the hollow. Failure to comply with all remedial measures could result in enforcement action and the assessment of civil penalties of up to \$25,000 per day per violation.

Note 11. Related Party Transactions

The County entered into the following related party transactions, which were approved by the fiscal court:

The County expended \$8,358 with Pauley Building Center for repairs and maintenance supplies. County Judge/Executive Wayne Rutherford's son manages the Pauley Building Center.

The County expended \$87,668 with East Kentucky Chemicals for cleaning supplies. The Treasurer's spouse is employed by East Kentucky Chemicals.

The County expended \$925 with Venter's Gulf Service for towing services. County Magistrate Kenneth Robinson's son owns Venter's Gulf Service.

Note 12. Property Taxes

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) September 15, due at discount November 1, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale February 1 following the delinquency date.

Note 13. Prior Period Adjustments

The Beginning Net Assets of the Governmental Activities was restated as follows:

Beginning Net Asset	\$	46,229,418
Debt Payments		
Not Recorded		16,553
Assets Held For Resale		
Included In Error		(592,896)
Immaterial Adjustment		(1)
Adjusted Beginning		
Net Assets	\$	<u>45,653,074</u>

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 13. Prior Period Adjustments (Continued)

The Beginning Net Assets of the Business-Type Activities was restated as follows:

Beginning Net Asset	\$	5,905,767
Debt Payments		
Included In Error		(1,317)
Extra Depreciation		
Included In Error		1,548
Assets Held For Resale		
Included In Error		(232,400)
Immaterial Adjustment		<u>(463)</u>
Adjusted Beginning		
Net Assets	\$	<u><u>5,673,135</u></u>

The Beginning Net Assets of the Solid Waste Fund was restated as follows:

Beginning Net Asset	\$	5,844,159
Debt Payments		
Included In Error		(1,317)
Extra Depreciation		
Included In Error		1,548
Assets Held For Resale		
Included In Error		(232,400)
Immaterial Adjustment		<u>(463)</u>
Adjusted Beginning		
Net Assets	\$	<u><u>5,611,527</u></u>

PIKE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009

PIKE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Cash Basis

For The Year Ended June 30, 2009

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 4,349,174	\$ 4,491,612	\$ 4,491,611	\$ (1)
In Lieu Tax Payments	29,950	76,613	76,613	
Excess Fees	654,800	732,075	730,675	(1,400)
Licenses and Permits	245,100	242,681	242,025	(656)
Intergovernmental Revenue	834,419	1,815,549	1,622,958	(192,591)
Charges for Services	32,000	35,322	29,052	(6,270)
Miscellaneous	54,265	207,715	208,140	425
Interest	100,000	20,376	19,976	(400)
Total Revenues	<u>6,299,708</u>	<u>7,621,943</u>	<u>7,421,050</u>	<u>(200,893)</u>
EXPENDITURES				
General Government	3,779,716	4,358,122	4,076,110	282,012
Protection to Persons and Property	591,150	870,801	766,053	104,748
General Health and Sanitation		12,000	4,000	8,000
Social Services	149,038	150,960	135,386	15,574
Roads	136,797	121,866	114,662	7,204
Administration	1,869,917	1,968,373	1,653,673	314,700
Total Expenditures	<u>6,526,618</u>	<u>7,482,122</u>	<u>6,749,884</u>	<u>732,238</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(226,910)</u>	<u>139,821</u>	<u>671,166</u>	<u>531,345</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	<u>(81,336)</u>	<u>(500,270)</u>	<u>(420,742)</u>	<u>79,528</u>
Total Other Financing Sources (Uses)	<u>(81,336)</u>	<u>(500,270)</u>	<u>(420,742)</u>	<u>79,528</u>
Net Changes in Fund Balances	(308,246)	(360,449)	250,424	610,873
Fund Balances - Beginning	<u>308,246</u>	<u>335,449</u>	<u>335,449</u>	
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ (25,000)</u>	<u>\$ 585,873</u>	<u>\$ 610,873</u>

See accompanying notes to required supplementary information.

PIKE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Cash Basis
For The Year Ended June 30, 2009
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
In Lieu Tax Payments	\$ 1,427	\$ 1,427	\$ 225	\$ (1,202)
Intergovernmental Revenue	2,777,969	3,340,085	2,906,073	(434,012)
Miscellaneous	550,000	582,271	87,271	(495,000)
Total Revenues	3,329,396	3,923,783	2,993,569	(930,214)
EXPENDITURES				
Roads	5,005,614	7,250,093	5,630,031	1,620,062
Administration	1,519,208	1,506,123	1,456,504	49,619
Total Expenditures	6,524,822	8,756,216	7,086,535	1,669,681
Excess (Deficiency) of Revenues				
Over Expenditures Before Other	(3,195,426)	(4,832,433)	(4,092,966)	739,467
Financing Sources (Uses)				
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	3,609,255	3,924,085	3,924,084	(1)
Transfers To Other Funds	(702,620)	(702,620)	(702,620)	
Total Other Financing Sources (Uses)	2,906,635	3,221,465	3,221,464	(1)
Net Changes in Fund Balances	(288,791)	(1,610,968)	(871,502)	739,466
Fund Balances - Beginning	288,791	1,610,968	1,610,968	
Fund Balances - Ending	\$ 0	\$ 0	\$ 739,466	\$ 739,466

See accompanying notes to required supplementary information.

PIKE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Cash Basis
For The Year Ended June 30, 2009
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,707,000	\$ 2,282,369	\$ 2,296,396	\$ 14,027
Charges for Services	239,200	246,779	253,609	6,830
Miscellaneous	14,000	20,123	19,142	(981)
Total Revenues	1,960,200	2,549,271	2,569,147	19,876
EXPENDITURES				
Protection to Persons and Property	2,741,924	3,299,412	3,041,737	257,675
Administration	1,029,913	1,010,708	897,157	113,551
Total Expenditures	3,771,837	4,310,120	3,938,894	371,226
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(1,811,637)	(1,760,849)	(1,369,747)	391,102
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	1,756,260	1,549,417	1,430,000	(119,417)
Total Other Financing Sources (Uses)	1,756,260	1,549,417	1,430,000	(119,417)
Net Changes in Fund Balances	(55,377)	(211,432)	60,253	271,685
Fund Balances - Beginning	55,377	211,432	211,432	
Fund Balances - Ending	\$ 0	\$ 0	\$ 271,685	\$ 271,685

See accompanying notes to required supplementary information.

PIKE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Cash Basis
For The Year Ended June 30, 2009
(Continued)

	LGEA FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 9,728,319	\$ 14,180,280	\$ 14,378,218	\$ 197,938
Charges for Services	750	1,364	1,551	187
Miscellaneous		29,090	52,448	23,358
Total Revenues	9,729,069	14,210,734	14,432,217	221,483
EXPENDITURES				
General Government	463,857	712,701	702,954	9,747
Protection to Persons and Property	721,423	1,256,423	993,758	262,665
General Health and Sanitation	484,076	749,076	456,058	293,018
Social Services	755,517	1,273,017	1,141,622	131,395
Recreation and Culture	1,427,900	3,586,378	1,582,685	2,003,693
Airports	105,000	105,000	99,309	5,691
Other Transportation Facilities and Services	17,500	17,500	14,034	3,466
Debt Service	574,217	597,114	506,674	90,440
Capital Projects	1,000,000	1,600,000	365,641	1,234,359
Administration	441,920	441,920	425,273	16,647
Total Expenditures	5,991,410	10,339,129	6,288,008	4,051,121
Excess (Deficiency) of Revenues				
Over Expenditures Before Other	3,737,659	3,871,605	8,144,209	4,272,604
Financing Sources (Uses)				
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(5,793,059)	(6,190,021)	(6,150,132)	39,889
Total Other Financing Sources (Uses)	(5,793,059)	(6,190,021)	(6,150,132)	39,889
Net Changes in Fund Balances	(2,055,400)	(2,318,416)	1,994,077	4,312,493
Fund Balances - Beginning	2,055,400	2,318,416	2,318,416	
Fund Balances - Ending	\$ 0	\$ 0	\$ 4,312,493	\$ 4,312,493

See accompanying notes to required supplementary information.

PIKE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Cash Basis
For The Year Ended June 30, 2009
(Continued)

	LGED FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous	\$ 174,730	\$ 193,375	\$ 193,375	\$
Interest	10,000	10,000	1,187	(8,813)
Total Revenues	184,730	203,375	194,562	(8,813)
EXPENDITURES				
General Government	447,422	466,707		466,707
Total Expenditures	447,422	466,707		466,707
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(262,692)	(263,332)	194,562	457,894
Net Changes in Fund Balances	(262,692)	(263,332)	194,562	457,894
Fund Balances - Beginning	262,692	263,332	263,332	
Fund Balances - Ending	\$ 0	\$ 0	\$ 457,894	\$ 457,894

See accompanying notes to required supplementary information.

PIKE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2009

Note 1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Note 2. Reconciliation of Required Supplementary Information to Statement of Revenues, Expenditures, and Changes in Fund Balances

Following is a summary of adjustments that convert the cash basis budgetary schedules to the modified cash basis of accounting used in the Statement of Revenues, Expenditures, and Changes in Fund Balances:

General Fund:

**Reconciliation to Statement of Revenues, Expenditures,
and Changes in Fund Balances**

Budgetary Basis - Receipts	\$ 7,421,050
Less: Receivable Payment Collected From 911 Board	(242,719)
Plus: Rounding	1
Modified Cash Basis	<u>\$ 7,178,332</u>
 Budgetary Basis - Expenditures	 \$ 6,749,884
Less: 911 Board Expenses Paid	(10,005)
Modified Cash Basis	<u>\$ 6,739,879</u>
 Budgetary Basis - Ending Fund Balance	 \$ 585,873
Plus: Rounding	1
Receivable Due From 911 Board	10,005
Modified Cash Basis	<u>\$ 595,879</u>

PIKE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2009
(Continued)

Note 2. Reconciliation of Required Supplementary Information to Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)

Road Fund:

Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances

Total Expenditures - Budgetary Basis	\$ 7,086,535
Plus Financing Obligations Expenditures:	
Roads	613,498
Total Expenditures - Modified Cash Basis	<u>\$ 7,700,033</u>
 Total Other Financing Sources (Uses)	
- Budgetary Basis	\$ 3,221,464
Plus Financing Obligations Proceeds	613,498
Total Other Financing Sources (Uses)	
- Modified Cash Basis	<u>\$ 3,834,962</u>

LGEA Fund:

Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances

Budgetary Basis - Receipts	\$ 14,432,217
Less: Receivable Payment Collected From Airport Board	(51,423)
Plus: Debt Paid by PVA	15,810
Plus: Debt Paid by AOC	35,786
Modified Cash Basis	<u>\$ 14,432,390</u>
 Budgetary Basis - Expenditures	\$ 6,288,008
Less: Airport Board Expenses Paid	(53,259)
Less: Golf Management Board Expenses Paid	(233,616)
Plus: Debt Paid by PVA	15,810
Plus: Debt Paid by AOC	35,786
Less: Debt Service Paid to	
General Obligation Bond Fund	(156,244)
Modified Cash Basis	<u>\$ 5,896,485</u>
 Budgetary Basis - Other Financing Obligations	\$ (6,150,132)
Add: Transfer Out -Debt Service	
Paid to General Obligation Bond Fund	(156,244)
Modified Cash Basis	<u>\$ (6,306,376)</u>
 Budgetary Basis - Ending Fund Balance	\$ 4,312,493
Receivable Due From Airport Board	53,259
Receivable Due From Golf Management Board	439,449
Modified Cash Basis	<u>\$ 4,805,201</u>

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PIKE COUNTY
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS -
MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2009

PIKE COUNTY
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS -
MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2009

	Forestry Fund	Maintenance Garage Fund	Capital Lease Acquisition Fund	Total Non-Major Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 3,827	\$ 87,706	\$	\$ 91,533
Total Assets	<u>\$ 3,827</u>	<u>\$ 87,706</u>	<u>\$ 0</u>	<u>\$ 91,533</u>
FUND BALANCES				
Reserved For:				
Encumbrances	\$	\$ 25,688	\$	\$ 25,688
Unreserved				
Special Revenue Funds	<u>3,827</u>	<u>62,018</u>	<u></u>	<u>65,845</u>
Total Fund Balances	<u>\$ 3,827</u>	<u>\$ 87,706</u>	<u>\$ 0</u>	<u>\$ 91,533</u>

The accompanying notes are an integral part of the financial statements.

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PIKE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2009

PIKE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2009

	Forestry Fund	Maintenance Garage Fund	Capital Lease Acquisition Fund
REVENUES			
Taxes	\$ 9,179	\$	\$
Miscellaneous		47,236	
Interest			18
Total Revenues	<u>9,179</u>	<u>47,236</u>	<u>18</u>
EXPENDITURES			
Protection to Persons and Property	5,719		4,032
Other Transportation Facilities and Services		1,085,401	
Administration		338,036	
Total Expenditures	<u>5,719</u>	<u>1,423,437</u>	<u>4,032</u>
Excess (deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>3,460</u>	<u>(1,376,201)</u>	<u>(4,014)</u>
Other Financing Sources (Uses)			
Transfers From Other Funds		1,452,620	
Total Other Financing Sources (Uses)		<u>1,452,620</u>	
Net Change in Fund Balances	3,460	76,419	(4,014)
Fund Balances - Beginning	367	11,287	4,014
Fund Balances - Ending	<u>\$ 3,827</u>	<u>\$ 87,706</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

PIKE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2009
(Continued)

Total Non-Major Governmental Funds
<u> </u>
\$ 9,179
47,236
18
<u>56,433</u>
9,751
1,085,401
338,036
<u>1,433,188</u>
<u>(1,376,755)</u>
<u>1,452,620</u>
<u>1,452,620</u>
75,865
15,668
<u>\$ 91,533</u>

The accompanying notes are an integral part of the financial statements.

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PIKE COUNTY
INTERLOCAL 911 BOARD COMPONENT UNIT OF PIKE COUNTY -
BALANCE SHEET - MODIFIED CASH BASIS

June 30, 2009

**PIKE COUNTY INTERLOCAL 911 BOARD
COMPONENT UNIT OF PIKE COUNTY
BALANCE SHEET - MODIFIED CASH BASIS**

June 30, 2009

	General Fund
Assets	
Cash and Cash Equivalents	\$ 47,145
Total Assets	<u>47,145</u>
Fund Balance	
Unreserved	<u>47,145</u>
Total Fund Balance	<u>\$ 47,145</u>

Reconciliation of the Balance Sheet to the Statement of Net Assets

Total Fund Balance	\$ 47,145
Amounts Reported For Governmental Activities In the Statement Of Net Assets Are Different Because Capital Assets , Net of Accumulated Depreciation, used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported In The Funds	 <u>566,518</u>
Net Assets of Pike County Interlocal 911 Board	<u>\$ 613,663</u>

The accompanying notes are an integral part of the financial statements

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PIKE COUNTY
INTERLOCAL 911 BOARD COMPONENT UNIT OF PIKE COUNTY -
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
- MODIFIED CASH BASIS

For The Year Ended June 30, 2009

**PIKE COUNTY INTERLOCAL 911 BOARD
COMPONENT UNIT OF PIKE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
- MODIFIED CASH BASIS**

For The Year Ended June 30, 2009

	General Fund
Revenues	
Charges For Services	\$ 491,171
Interest	392
Total Revenues	<u>491,563</u>
Expenditures	
Protection To Persons and Property	395,527
Administration	48,980
Total Expenditures	<u>444,507</u>
Excess (Deficiency) Of Revenues Over Expenditures Before Transfers and Financing Sources (Uses)	<u>47,056</u>
Net Change in Fund Balances	47,056
Fund Balances-Beginning	89
Fund Balances-Ending	<u><u>\$ 47,145</u></u>

**Reconciliation of the Statement of Revenues, Expenditures and Changes
In Fund Balances to the Statement of Activities**

Net Change in Fund Balances-Total Governmental Fund	\$ 47,056
Government funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets are allocated over their useful lives and reported as depreciation expense.	
Capital Outlay	90,706
Depreciation Expense	<u>(82,717)</u>
Change in Net Assets of Pike County Interlocal 911 Board	<u><u>\$ 55,045</u></u>

The accompanying notes are an integral part of the financial statements

PIKE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2009

Federal Grantor		
Program Title	Pass-Through	
<u>Grant Name (CFDA #)</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
U.S. Department of Commerce		
Administered by the National Oceanic and Atmospheric Administration		
Congressionally Identified Awards and Projects		
PRIDE Grant-Roadside PRIDE 2008 (CFDA #11.469)	Unknown	\$ 2,000
PRIDE Grant-Spring Cleanup 2009 (CFDA 11.469)	SC09-82	22,952
Total U.S. Department of Commerce		<u>24,952</u>
U.S. Department of the Interior		
Office of Surface Mining Reclamation & Enforcement		
Passed-Through Kentucky Infrastructure Authority:		
Abandoned Mine Land Reclamation Program		
Elkhorn City Interconnector Project (CFDA #15.252)	M-02170155	<u>4,000</u>
Total U. S. Department of the Interior		<u>4,000</u>
U.S. Department of Agriculture		
Administered by the National Resources Conservation Service		
Watershed Protection and Flood Prevention (CFDA #10.904)		
	68-5C16-9	<u>151,895</u>
Total U.S. Department of Agriculture		<u>151,895</u>
U.S. Department of Homeland Security		
Passed-Through Commonwealth Department of Military Affairs:		
Disaster Grant- Public Assistance (CFDA #97.036)	FEMA-1454-DR-KY	2,152
Disaster Grants- Public Assistance (CFDA #97.036)	FEMA-1475-DR-KY	26,707
Disaster Grant- Public Assistance (CFDA #97.036)	FEMA-1523-DR-KY	29,448
Disaster Grants- Public Assistance (CFDA #97.036)	FEMA-1703-DR-KY	173,241
Disaster Grants- Public Assistance (CFDA #97.036)	FEMA-1841-DR-KY	<u>761,290</u>
Total Disaster Grants-Public Assistance ***		<u>992,838</u>

*** Tested as Major Program

See accompanying notes to the schedule of expenditures of federal awards.

PIKE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2009
(Continued)

Federal Grantor		
Program Title	Pass-Through	
<u>Grant Name (CFDA #)</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
U.S. Department of Homeland Security		
Passed-Through Commonwealth Office of Homeland Security:		
Homeland Security Grant Program		
Mobile Data Computers and Related Equipment-2009 (CFDA #97.067)	P02-094-0800020901-1	\$ 80,797
Total Homeland Security Grant Program		80,797
Total U. S. Department of Homeland Security		1,073,635
U.S. Appalachian Regional Commission		
Appalachian Research, Technical Assistance, and Demonstration Projects (CFDA #23.011)	KY-15785-07	106,612
Total U.S. Appalachian Regional Commission		106,612
TOTAL FEDERAL AWARDS		<u>\$ 1,361,094</u>

See accompanying notes to the schedule of expenditures of federal awards.

PIKE COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2009

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Pike County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

TICHENOR & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

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The Honorable Wayne T. Rutherford, Pike County Judge/Executive
Members of the Pike County Fiscal Court

Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pike County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated April 8, 2010, wherein we issued a qualified opinion on the aggregate discretely presented component units and referred to the report of other auditors. Pike County presents its financial statements on the modified cash basis, which is a comprehensive basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pike County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pike County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Pike County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Pike County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management and the Department for Local Government, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Certified Public Accountants

April 8, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

TICHENOR & ASSOCIATES, LLP
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The Honorable Wayne T. Rutherford, Pike County Judge/Executive
Members of the Pike County Fiscal Court

Report on Compliance With Requirements
Applicable To Each Major Program And On Internal
Control Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Pike County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Pike County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Pike County's management. Our responsibility is to express an opinion on Pike County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pike County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Pike County's compliance with those requirements.

In our opinion, Pike County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Pike County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Pike County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pike County's internal control over compliance.

Report on Compliance With Requirements
Applicable To Each Major Program And On Internal
Control Over Compliance In Accordance With OMB Circular A-133

Internal Control Over Compliance (Continued)

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that a noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, the Department for Local Development, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Certified Public Accountants

April 8, 2010

**PIKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Fiscal Year Ended June 30, 2009

A. SUMMARY OF AUDIT RESULTS

1. The Auditor's report expresses unqualified opinions on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pike County. The auditors' report also expresses a qualified opinion on the aggregate discretely presented component units of Pike County.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' Report.
3. No instances of noncompliance material to the financial statements of Pike County were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal awards programs are reported in the Independent Auditors' Report.
5. The auditors' report on compliance for the audit of the major federal awards programs for Pike County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Pike County reported in Part C of this schedule.
7. The program tested as a major program was: U.S. Department of Homeland Security – Public Assistance Grants – CFDA #97.036.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Pike County was determined to be a high-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

None.

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None.

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

PIKE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2009

Appendix A

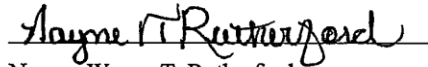
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

PIKE COUNTY FISCAL COURT

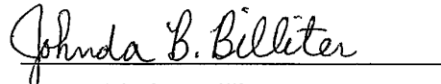
Fiscal Year Ended June 30, 2009

The Pike County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended, as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in cursive script, reading "Wayne T. Rutherford", written over a horizontal line.

Name: Wayne T. Rutherford

County Judge/Executive

A handwritten signature in cursive script, reading "Johnda B. Billiter", written over a horizontal line.

Name: Johnda B. Billiter

County Treasurer

